

Construction Contract
Incentive Payment

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

Under Section 202 of the Housing Act of 1959, as amended by
Sec. 801 of NAHA or Section 811 of the National Affordable Housing Act

OMB Approval No. 2502-0297 (exp.7/31/96)

Must be executed prior to initial closing.

Public reporting burden for this collection of information is estimated to average 0.5 hour per response, including the time for reviewing instructions, searching existing
data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate
or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Office of Information Policies
and Systems, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600 and to the Office of Management and Budget, Paperwork Reduction
Project (2502-0297), Washington, D.C. 20503. Do not send this completed form to either of these addressees.

The Owner and the Contractor may amend the Construction Contract to provide for the payment of an additional sum to the Contractor as an incentive for
completing the project earlier than the completion date specified in the contract, or by such date to which the contract completion may be extended.

The Construction Contract - Lump Sum (Form HUD-92442-CA)
may be amended by adding the following paragraph by rider:

Article 3. Contract Sum and Payments (cont.)

If the work is completed prior to the time for completion specified in the
contract, the Owner shall pay the Contractor, in addition to the contract
sum stated herein, an amount equal to \_\_\_\_\_ \* percent
of the amount by which the sum of HUD's estimates of real estate taxes
and insurance during construction, totaling the amount of
\$\_\_\_\_\_, \*\* exceeds the Owner's certified cost of
these same items as approved by HUD through the final completion
date. No incentive payment will be allowed on savings in costs
disallowed by HUD or if the Contractor's cost certification is found by
HUD to be either fraudulent or to materially misrepresent the actual
cost of construction.

The Construction Contract - Cost Plus (Form HUD-92442-CA) may
be amended by striking paragraph A(3) from Article 3 and adding the
following paragraphs by rider:

Article 3 - Payments (cont.)

- (3) If the work is completed prior to the time for completion specified
in this contract, the Owner shall make an incentive payment to the
Contractor. The amount of the payment shall be ascertained accord-
ing to the instructions on the attachment entitled Incentive Payment
Computation which is made a part hereof.
(4) If, upon completion, the Contractor shall have received cash
payments in excess of (a) the actual cost of construction, plus (b) the
cash fee specified in paragraph (1), plus the incentive payment under
the provisions of paragraph (3), all such excess shall be refunded to
the Owner.
(5) No incentive payment will be allowed on savings in costs disal-
lowed by HUD or if the Contractor's cost certification is found by HUD
to be either fraudulent or to materially misrepresent the actual cost of
construction.

In Witness Whereof, the parties to these presents have executed this contract in six (6) counterparts, each of which shall be deemed an original,
in the year and day first above mentioned.

(Seal) Attest
Owner
Witness
By
Witness
Title
(Seal)
Contractor
Witness
By
Witness
Title

Note: If Contractor or Owner is a corporation, Secretary should attest.

\* Not to exceed 50%
\*\* Insert here that portion of the sum of taxes and insurance that appear in Section G of Form HUD-92264 that are attributable to the construction period. For example,
if the construction period also shown in Section G of Form HUD-92264 is estimated to be 15 months, taxes and insurance have been calculated for a 17 month period.
Only a portion (15/17) may be included in the savings computation for these items.

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## Incentive Payment Computation

To be completed at completion of the Project Construction (see Note 2)

### Step 1. Soft Cost Computations

- (a) Enter the sum of HUD's estimated cost of interest, real estate taxes, insurance and Mortgage Insurance Premium from Section G, Form HUD-92264. \*\* (see other side) \$ \_\_\_\_\_
- (b) Enter the Owner's certified cost of these same items as approved by the Commissioner through the final completion date. \$ \_\_\_\_\_
- (c) Subtract 1(b) from 1(a). If 1(b) exceeds 1(a) enter 0. \$ \_\_\_\_\_

### Step 2. Construction Cost Computations

- (a) Enter lesser of (1) HUD's estimated cost of physical construction (see Note 1) or (2) Cash upset price set out in Article 3.A of the Construction Contract. \$ \_\_\_\_\_
- (b) Enter HUD's estimated amount of the net increase in cost or net decrease in cost resulting from approved construction changes from the final Form HUD-92437. \$ \_\_\_\_\_
- (c) Enter sum of 2(a) and 2(b) if approved change orders resulting in construction cost increase. If approved changes resulted in a decrease in cost, subtract 2(b) from 2(a) and enter the difference. \$ \_\_\_\_\_
- (d) Enter the Contractor's actual certified cost of physical construction (including Builder's Profit). \$ \_\_\_\_\_
- (e) If 2(c) exceeds 2(d) enter difference here. If 2(d) exceeds 2(c) enter 0. \$ \_\_\_\_\_

### Step 3. Incentive Payment Computations

- (a) Enter the sum of Step 1(c) and 2(e). \$ \_\_\_\_\_
- (b) Multiply 3(a) by \_\_\_\_\_% (Note 2) to obtain amount of incentive payment. \$ \_\_\_\_\_

Note 1. HUD's estimate of the cost of physical construction shall be determined by adding together the following items that appear in Section G of Form HUD-92264, Total Land Improvements, Total Structures, General Requirements, Builder's Profit, Builder's General Overhead, Bond Premium and Builder's Other Fees.

Note 2. This blank should be completed on or before initial closing of the loan and the percentage to be inserted must not exceed 50%.